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Fifth Annual Report

National Dairy Products Corporation

NEW YORK, N. Y.

YEAR ENDED DECEMBER 31, 1927

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National Dairy Products Corporation

120 BROADWAY

NEW YORK

DIRECTORS

Edwin M. Bailey
Henry W. Breyer
Frederick J. Bridges
Joseph T. Castles
Waddill Catchings
Clarence J. Dauphinot
Alfred A. DuBan
D. C. Eldredge
Robert J. Flick
Joseph Gilfillan
B. S. Halsey
Ford Hibbard
Ralph H. Horton
J. M. Hoyt
A. P. Hunt
Jos. L. Jones
Harold M. Lehman
James G. Lewis
Wm. F. Luick
Thos. H. McInnerney
E. J. Mather
Charles F. Nettrour
Edward E. Rieck
Wilbur S. Scott
A. A. Stickler
C. Henderson Supplee
Horace S. Tuthill
L. A. Van Bomel
Frank A. Wills
Henry N. Woolman

OFFICERS

President ..... Thos. H. McInnerney
Vice-President-Treasurer ..... Wilbur S. Scott
Vice-President ..... Alfred A. DuBan
Vice-President ..... James G. Lewis
Vice-President ..... C. Henderson Supplee
Vice-President ..... L. A. Van Bomel
Vice-President ..... Frank A. Wills
Secretary ..... Frederick J. Bridges
Comptroller ..... A. A. Stickler
Assistant-Treasurer ..... Ford Hibbard

TRANSFER AGENT
Bankers Trust Company
New York, N. Y.

REGISTRAR
The Chase National Bank
New York, N. Y.

Counsel ..... Sullivan & Cromwell
Auditors ..... Price, Waterhouse & Co.

Executive Offices ..... *120 Broadway, New York, N. Y.*

National Dairy Products Corporation

New York, N. Y., April 2, 1928.

To the Stockholders:

The fifth annual report of National Dairy Products Corporation for the year ending December 31, 1927, together with the consolidated income account and balance sheet of the company and subsidiaries, as certified by Messrs. Price, Waterhouse & Co. is submitted herewith.

The combined sales for the year 1927 as compared with 1926, of subsidiaries owned at the close of each year, were as follows:

Year 1927	$145,330,059.87
Year 1926	134,549,919.04

Of the increase of $10,780,140.83 a total of $8,101,656.77 represents an increase in sales of companies owned at the close of 1926, or approximately 6% of the sales of that year.

The net earnings of your company and its subsidiaries for the year, after deducting Federal income taxes, interest and preferred dividends for a full year on all securities outstanding at the close of the year and after charging $8,797,744.31 for depreciation and repairs, were $9,633,293.96. This is equivalent to $6.82 per share of common stock outstanding at December 31, 1927, as compared with $6.75 per share outstanding at December 31, 1926 calculated in the same manner, and after giving effect to a common stock dividend of 33⅓% paid in June, 1927.

During the summer of 1927 your Company had to face two unfavorable factors, the weather was unusually cool which affected our ice cream business adversely, and there was a large seasonal excess production of milk. Our cost of fluid milk, however, did not decline but in fact increased in August. In spite of these unfavorable factors your company is able to report an increase in both volume and earnings compared with the previous year. This result may be regarded as a clear demonstration of the stability of the business.

In February 1928, the company carried through a plan of refinancing for the purpose of simplifying its consolidated capital structure through the sale of $35,000,000. 5¼% Gold Debentures due 1948. The proceeds of the sale of this issue were utilized, among other things, to redeem the Corporation's 6% Collateral Trust Notes as well as the preferred stocks and funded debts of subsidiary companies and to increase the working capital. This transaction will result in substantial economies.

In addition to the regular certified balance sheet at December 31, 1927, there is appended to the report a pro forma balance sheet as at December 31, 1927, giving effect to the recapitalization and transactions incident thereto including the acquisition of Breakstone Brothers, Inc., effected in March, 1928.

Annexed to this report is the certified income account for 1927. To supplement this we have, in the following statement, adjusted our earnings for 1927 to show the result on the assumption that the refinancing and the acquisition of Breakstone Brothers, Inc., had been effective for the whole of 1927:

Net sales	$152,968,676.52	
Deduct—Cost of sales, delivery, administrative, selling and general expenses	139,442,227.66	
		$13,526,448.86
Other income		1,047,902.87
Net profit before deducting Federal income tax and interest on 5¼% gold debentures due 1948		$14,574,351.73
Deduct:		
Interest for full year on $35,000,000 5¼% gold debentures due 1948	$1,837,500.00	
Federal income tax at 13½%	1,719,475.00	3,556,975.00
Balance		$11,017,376.73
Deduct—Provision for dividends on National Dairy Products Corporation preferred stock		834,708.00
Balance equivalent to $6.91 per share on 1,472,291 shares of common stock of National Dairy Products Corporation		$10,182,668.73

It is with sorrow that we report the death of Mr. I. A. Van Bomel, a director of the company, a pioneer in the milk industry and one of the founders of Sheffield Farms Company, Inc. He was actively associated with the latter company until the time of his death.

The Board of Directors takes this opportunity of acknowledging the loyal and faithful services rendered by the officers and employees of the Corporation and its subsidiary companies.

By order of the Board of Directors.

THOMAS H. MCINNERNEY
President.

National Dairy Pr

AND SUBSIDIA

CONSOLIDATED BALANCE SHEET

Assets

Current and Working Assets:			
Cash in banks and on hand		$6,404,462.11	
Marketable securities at cost, below market		200,614.77	
Notes receivable	$ 511,003.39		
Accounts receivable	6,027,148.60		
	$6,538,151.99		
Less—Reserve for doubtful notes and accounts	167,370.76	6,370,781.23	
Inventories at cost or market, whichever is lower		5,137,658.10	
Miscellaneous supplies and repair parts		1,517,837.11	
Receivable from employees of subsidiary companies on stock subscriptions, etc		138,081.18	
Cash surrender value of life insurance		227,757.50	
			$19,997,192.00
Investments and Advances:			
Investments		$529,153.11	
Advances		21,318,89	
			550,472.00
Sinking Funds			74,383.75
Capital Assets:			
Land, buildings, machinery and equipment:			
Properties appraised:			
On the basis of appraisals at sound values together with subsequent additions at cost		$52,136,969.54	
Properties not appraised:			
On the basis of cost		20,261,876.71	
		$72,398,846.25	
Less—Reserve for depreciation		15,506,291.70	
			56,892,554.55
Deferred Charges:			
Prepaid taxes, insurance, interest, etc		$356,416.30	
Sundry expenses		319,118.79	
			675,535.09
Goodwill Purchased (less $1,448,086.27 appreciation in land values, as determined by independent appraisals)			10,896,167.20
			$89,086,304.59

We have examined the books and accounts of the National Dairy Products Corporation and subsidiary companies for the consolidated balance sheet as at December 31, 1927 and relative statements of profit and loss and surplus have been correctly prepa of profit and loss and surplus fairly state the financial position of the National Dairy Products Corporation and subsidiary compa

56 Pine Street,
New York,
March 19, 1928.

ducts Corporation

Y COMPANIES

DECEMBER 31, 1927

Liabilities

Current Liabilities:		
Notes payable	$1,635,000.00	
Notes payable, temporary loans for redemption of funded debt	2,365,000.00	
Accounts payable including sundry accruals	7,109,114.30	
Dividends payable and accrued	147,841.29	
Provision for Federal income tax	1,695,066.95	
		$12,952,022.54
Reserves for Contingencies		575,829.88
Funded and Mortgage Debt:		
National Dairy Products Corporation:		
Fifteen-year 6% collateral trust notes due November 1, 1940	$14,100,000.00	
Subsidiary companies:		
First mortgage 6% bonds	939,100.00	
First mortgage 6½% bonds	135,000.00	
First mortgage 7% bonds	80,000.00	
Real estate mortgages	1,236,367.50	
		16,490,467.50
Minority Stockholders' Interest in Capital and Surplus of Subsidiary Companies		156,140.46
Preferred Stock of Subsidiary Companies		11,087,815.00
Capital and Initial Surplus:		
Preferred stock Class A 7% cumulative:		
Authorized and issued—69,244 shares of $100 each	$6,924,400.00	
Preferred stock Class B 7% cumulative:		
Authorized and issued—50,000 shares of $100 each	5,000,000.00	
Common stock and initial surplus:		
Authorized—2,000,000 shares of no par value		
Issued—1,412,291 shares	21,319,616.20	
		33,244,016.20
Earned Surplus, per statement attached		14,580,013.01
		$89,086,304.59

year ending December 31, 1927 and the books and accounts of the companies acquired during the year, and find that the above
ed therefrom, and we certify that in our opinion, the consolidated balance sheet as at December 31, 1927 and relative statements
ies at December 31, 1927, and the results of the operations for the year ending on that date.

PRICE, WATERHOUSE & CO.

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

COMBINED STATEMENT OF PROFIT AND LOSS

For the Year Ending December 31, 1927

(Including the results of the operations for the entire year of companies acquired during the year)

Net sales to public (after deducting intercompany sales of $5,650,694.10)		$145,330,059.87
Deduct:		
Cost of sales, delivery, administrative, selling and general expenses	$123,495,977.49	
Repairs and maintenance	4,209,775.36	
Depreciation	4,587,968.95	
		132,293,721.80
		$13,036,338.07
Other income		1,034,488.36
		$14,070,826.43
Deduct:		
Interest on funded debt of subsidiary companies	$ 272,153.78	
Provision for Federal income tax	1,681,067.90	
		1,953,221.68
Combined profits before all dividends and interest on National Dairy Products Corporation 6% notes		$12,117,604.75

NOTE:

Combined profits of National Dairy Products Corporation and subsidiary companies before deducting interest on National Dairy Products Corporation 6% notes		$12,117,604.75
Deduct:		
Dividend requirements for full year on preferred stocks of subsidiary companies outstanding at December 31, 1927		788,874.95
		$11,328,729.80
Interest on National Dairy Products Corporation 6% notes		860,727.84
		$10,468,001.96
Dividend requirements for full year on preferred stocks of National Dairy Products Corporation		834,708.00
Balance equivalent to more than $6.82 per share on 1,412,291 shares of common stock of National Dairy Products Corporation		$9,633,293.96

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS

For the Year Ending December 31, 1927

Combined profits for the year ending December 31, 1927, before all dividends and interest on National Dairy Products Corporation 6% notes, as per statement of profit and loss	$12,117,604.75	
Less—Profits prior to date of acquisition of companies acquired during the year	166,189.53	
		$11,951,415.22
Deduct:		
Dividends paid and accrued on stocks of subsidiary companies held by the public	$797,014.35	
Interest on National Dairy Products Corporation 6% notes	860,727.84	
		1,657,742.19
Balance applicable to preferred and common stocks of National Dairy Products Corporation		$10,293,673.03
Deduct—Dividends paid on preferred and common stocks of National Dairy Products Corporation from time to time outstanding:		
Preferred	$ 834,708.00	
Common	3,923,782.50	
		4,758,490.50
Surplus for year ending December 31, 1927		$5,535,182.53
Add—Earned surplus at December 31, 1926		9,044,830.48
Earned surplus at December 31, 1927, per balance sheet		$14,580.013.01

National Dairy

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

Giving effect as of that date to the issue of $35,000,000 of 5¼% gold debentures due 1948, the application thereof to the redemption of the corporation's 6% collateral trust notes and the funded debt and outstanding preferred stocks of the subsidiary companies, the payment in part for a subsidiary company acquired in March 1928,

Assets

Current and Working Assets:		
Cash in banks and on hand		$7,219,590.78
Marketable securities at cost, below market		205,614.77
Notes receivable	$640,117.17	
Accounts receivable	6,667,469.07	
	$7,307,586.24	
Less—Reserve for doubtful notes and accounts	167,370.76	7,140,215.48
Inventories at cost or market, whichever is lower		5,394,321.29
Miscellaneous supplies and repair parts		1,536,581.07
Receivable from employees of subsidiary companies on stock subscriptions, etc.		205,172.17
Cash surrender value of life insurance		227,757.50
		$21,929,253.06
Investments and Advances:		
Investments	$553,353.11	
Advances	21,318.89	
		574,672.00
Capital Assets:		
Land, buildings, machinery and equipment:		
Properties appraised:		
On the basis of appraisals at sound values together with subsequent additions at cost	$52,136,969.54	
Properties not appraised:		
On the basis of cost	20,596,535.82	
	$72,733,505.36	
Less—Reserve for depreciation	15,652,629.18	
		57,080,876.18
Deferred Charges:		
Prepaid taxes, insurance, interest, etc.	$379,217.57	
Sundry expenses	319,118.79	
		698,336.36
Goodwill Purchased (less $1,448,086.27 appreciation in land values, as determined by independent appraisals)		10,896,167.20
		$91,179,304.80

We have examined the books and accounts for the year ending December 31, 1927 of the National Dairy Products Corporation and subsidiary companies, of the companies acquired during the year and of a subsidiary company acquired in March 1928, and we certify that, in our opinion, the foregoing consolidated balance sheet has been correctly

Products Corporation

COMPANIES

DECEMBER 31, 1927

the payment of current debt and increase of working capital and also giving effect as of that date to the acquisition of the above mentioned subsidiary and the issue of 30,000 shares of the corporation's common stock for $1,500,000 par value of preferred stocks of subsidiary companies.

Liabilities

Current Liabilities:		
Accounts payable including sundry accruals	$6,973,117.70	
Provision for Federal income tax	1,727,462.19	
		$8,700,579.89
Reserves for Contingencies		575,829.88
5¼% Gold Debentures Due 1948		35,000,000.00
Minority Stockholders' Interest in Capital and Surplus of Subsidiary Companies		156.140.46
Capital and Initial Surplus:		
Preferred stock Class A 7% cumulative:		
Authorized and issued—69,244 shares of $100 each	$6,924,400.00	
Preferred stock Class B 7% cumulative:		
Authorized and issued—50,000 shares of $100 each	5,000,000.00	
Common stock and initial surplus (after deducting premiums on subsidiary companies' funded debt and preferred stocks retired):		
Authorized—2,000,000 shares of no par value		
Issued—1,472,291 shares	22,338,966.56	
		34,263,366.56
Earned Surplus, after deducting premium on parent company's securities retired and discount on securities issued		12,483,388.01
		$91,179,304.80

prepared therefrom and fairly states the financial position of the combined companies at December 31, 1927, giving effect as at that date to the transactions above enumerated.

56 Pine Street, New York,
March 19, 1928.

PRICE, WATERHOUSE & CO.